

Message Text

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ORIGIN COME-00

INFO OCT-01 ARA-06 ISO-00 AID-05 CIAE-00 EB-07 FRB-03

INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 INT-05 L-03 /057 R

DRAFTED BY COM/BIC/OED/MEPD/TJASPER/CF

APPROVED BY EB/OCA/CM/LKLIEFORTH

COM/BIC/OED/MEPD/JMSANDS, DIR.

COM/BIC/OIM (INFO)

STATE/ARA/EP/R.WEBBER (PHONE)

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P 062237Z JUN 75

FM SECSTATE WASHDC

TO AMEMBASSY LIMA PRIORITY

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E.O. 11652: N/A

TAGS: BEXP, PE

SUBJECT: CHIMBOTE STEEL EXPANSION: RUEDA CONSULTATIONS

REF: LIMA A-286, 12/26/74

1. RUEDA'S CONSULTATIONS GAVE US THE OPPORTUNITY TO FULLY DISCUSS WITH INDUSTRY THE CHIMBOTE EXPANSION PROGRAM AND TO TAKE THE INITIAL STEPS TOWARD DEVELOPING AN APPROPRIATE USG APPROACH WHICH WOULD SUPPORT AMERICAN PROPOSALS. INDUSTRY EXPRESSED INTEREST IN THE EXPANSION BUT INDICATED THEIR RESPONSE WOULD BE CONDITIONED UPON HOW SIDERPERU STRUCTURES THE PROJECT.

2. A MAJOR VARIABLE WILL BE FINANCING. IF AS RUEDA INDICATES SIDERPERU RECEIVES GOVERNMENT PERMISSION TO NEGOTIATE CONTRACTS WITH SELECTED COMPANIES THEY
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WOULD HAVE TO USE BI-LATERAL OR COMMERCIAL FINANCING

SINCE IBRD OR IDB MONEY WOULD NOT BE AVAILABLE. TO OUR KNOWLEDGE NEITHER SIDERPERU OR COFIDE HAS APPROACHED EXIMBANK AND IT IS UNLIKELY INDUSTRY WILL RESPOND UNTIL THE FINANCIAL ARRANGEMENTS ARE COMPLETED.

3. ANOTHER MAJOR CONCERN IS THAT CHIMBOTE DOES NOT HAVE THE TECHNICAL OPERATING EXPERTISE TO UNDERTAKE A PROJECT OF THIS MAGNITUDE WITHOUT OUTSIDE ASSISTANCE. THE INDUSTRY CONSENSUS IS THAT CHIMBOTE SHOULD SELECT A PROJECT MANAGER TO DRAW-UP SPECIFICATIONS, SUPERVISE PROCUREMENT, MANAGE CONSTRUCTION AND PROVIDE TECHNICAL OPERATING EXPERTISE IF THEY EXPECT TO COMPLETE THE EXPANSION WITHIN THE SPECIFIED BUDGET AND TIMETABLE. RUEDA INDICATED THAT PRIOR TO HIS DEPARTURE CHIMBOTE HAD EXPRESSED AN AWARENESS OF THIS PROBLEM.

4. IN LIGHT OF THIS, ON THE FINAL DAY OF CONSULTATIONS WE DISCUSSED THE POSSIBLE PROJECT MANAGEMENT OPPORTUNITY WITH US STEEL ENGINEERS AND CONSULTANTS (UEC). UEC INDICATED THAT THEY WERE RECENTLY CONTACTED (FEBRUARY 1975) BY CHIMBOTE REGARDING THEIR QUALIFICATIONS AND THEY HAD SENT THE APPROPRIATE MATERIAL. (FYI. UEC HAS SIMILAR PROJECT MANAGEMENT CONTRACTS WITH AMONG OTHERS CSN IN BRAZIL AND KAOSHIUNG STEEL IN TAIWAN. THEY ARE CONSIDERED ONE OF THE BEST IN THIS FIELD BECAUSE THEY CAN DRAW ON THE TECHNICAL AND OPERATING EXPERTISE OF THEIR PARENT COMPANY). AT THIS TIME THEY WERE AWAITING A REPLY FROM CHIMBOTE BEFORE PURSUING THE OPPORTUNITY FURTHER. HOWEVER, AS A RESULT OF OUR DISCUSSIONS THEY ARE WILLING TO SEND A SENIOR REPRESENTATIVE TO PERU (RUDD GUTSHALL, VICE PRESIDENT FOR ENGINEERING) IF APPROPRIATE MEETINGS CAN BE ARRANGED.

5. ACTION REQUESTED: REQUEST EMBASSY ARRANGE APPROPRIATE MEETINGS WITH MINISTRY INDUSTRY, COFIDE, AND SIDERPERU FOR GUTSHALL ON JUNE 19 AND JUNE 20. WE ALSO SUGGEST EMBASSY BE PREPARED TO BRIEF GUTSHALL ON HIS ARRIVAL. WE WOULD APPRECIATE CONFIRMATION OF THESE MEETINGS BY IMMEDIATE CABLE AS GUTSHALL PLANNING LIMITED OFFICIAL USE

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TO LEAVE U.S. JUNE 15. KISSINGER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 06 JUN 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975STATE132912
Document Source: CORE
Document Unique ID: 00
Drafter: BIC/OED/MEPD/TJASPER/CF
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750199-0068
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750672/aaaacobb.tel
Line Count: 108
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN COME
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 75 LIMA A-286, 75 12/26/74
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 11 SEP 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <11 SEP 2003 by CunninFX>; APPROVED <03 NOV 2003 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: CHIMBOTE STEEL EXPANSION: RUEDA CONSULTATIONS
TAGS: BEXP, PE
To: LIMA
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006